

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SB 3272 - HB 3605

February 28, 2012

SUMMARY OF BILL: Specifies that food which is glazed by a seller is not considered prepared food for the purpose of levying the state sales tax rate which is levied on the retail sale of tangible personal property.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue – Net Impact - \$114,500

Decrease Local Revenue - \$5,500

Assumptions:

- Pursuant to Tenn. Code Ann. § 67-6-228(b), the retail sale of food and food ingredients which are sold as prepared food shall be taxed at the rate levied on the sale of tangible personal property.
- Pursuant to Tenn. Code Ann. § 67-6-202(a), the state sales tax rate levied on the retail sale of tangible personal property is seven percent.
- Glazed food is considered prepared food under current law; therefore, the state sales tax rate currently levied on the retail sale of glazed food is seven percent.
- Based on information provided by the Department of Revenue, total retail sales of glazed food are reasonably estimated to be \$8,000,000 per year statewide. This number is assumed to remain constant in subsequent years.
- Under current law, recurring state sales tax revenue derived from the retail sale of glazed food is estimated to be \$560,000 (\$8,000,000 x 7.0%).
- Pursuant to Tenn. Code Ann. § 67-6-228(a), the state sales tax rate levied on the retail sale of food and food ingredients is 5.5 percent.
- Under this bill, recurring state sales tax revenue derived from the retail sale of glazed food is estimated to be \$440,000 (\$8,000,000 x 5.5%).
- The recurring decrease in state sales tax revenue is estimated to be \$120,000 (\$560,000 - \$440,000).
- Pursuant to Tenn. Code Ann. 67-6-103(a)(3)(A), local governments receive 4.5925 percent of all state sales tax revenue as state-shared sales tax revenue.
- The recurring decrease in local revenue pursuant to the state-shared allocation is estimated to be \$5,511 (\$120,000 x 4.5925%).

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- The net recurring decrease in state revenue is estimated to be \$114,489 (\$120,000 - \$5,511).
- Local option sales tax revenue remains unchanged.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "Lucian D. Geise". The signature is fluid and cursive, with the first name "Lucian" written in a larger, more prominent script than the last name "Geise".

Lucian D. Geise, Executive Director

/rnc